

**STANLEY COUNTY  
SCHOOL DISTRICT NO. 57-1  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2017**

**QUAM, BERGLIN & POST, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

STANLEY COUNTY SCHOOL DISTRICT NO.57-1  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2017

School Board

Shannon Schweitzer – Chairman

Gary Johnson – Vice Chairman

Sarah Carter

Gary Nickerson

Teri Heninger

Business Manager

Kim Fischer

Superintendent

Joel Price

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## **INDEPENDENT AUDITOR'S REPORT**

School Board  
Stanley County School District No. 57-1  
Stanley County, South Dakota

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Stanley County School District No. 57-1, Stanley County, South Dakota (School District), as of June 30, 2017, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

The School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School district's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Stanley County School District No. 57-1 as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Proportionate Share of the Net Pension Asset, the Schedule of the School District Contributions, and the Budgetary Comparison Schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Quam, Berglin & Post P.C.*

Quam, Berglin & Post, P.C.  
Certified Public Accountants

March 14, 2018

## **STANLEY COUNTY SCHOOL DISTRICT NO. 57-1 MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Stanley County School District 57-1's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2017. Please read it in conjunction with the School's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs was \$6,249,990.36 and the governmental and business-type program expenditures totaled \$5,705,208.89.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. The only proprietary fund operated by the school is the Food Service Operation.
  - Fiduciary fund statements provide information about the financial relationships - like scholarship plans for graduating students - in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The reminder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-1**

**Required Components of  
Stanley County School's Annual Financial Report**

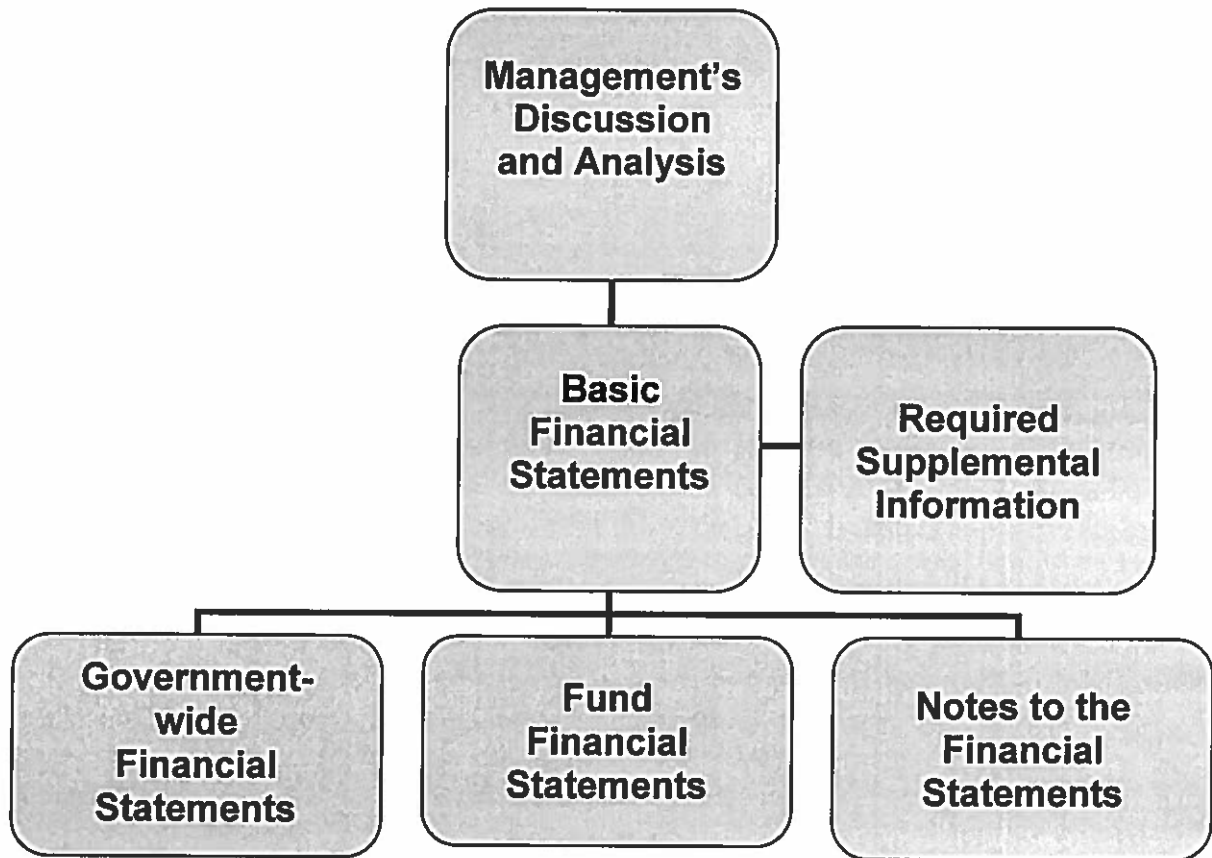


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.



FIGURE A-2

Major Features of Stanley County School's Government-wide and Fund Financial Statements				
	Government-wide Statements	Governmental Funds	Fund Statements Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except for fiduciary funds)	The activities of the School that are not proprietary or	Activities the School operates similar to private	Instances in which the School is the trustee or agent
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Net Position *Statement of Changes in Net Position
Accounting Basis and Measurement	Accrual accounting and economic resources focus	Modified accrual accounting and current financial	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability	All assets and liabilities, both financial and capital, and short-	Only assets expected to be used up and liabilities that	All assets and liabilities, both financial and capital.	All assets and liabilities, both short-term and long-term; the
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## Government-wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net position and how they have changed. Net position – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Increases or decreases in the School's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the School are reported in two categories:

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases.

Property taxes, state grants, federal grants and interest earnings finance most of these activities.

- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity of the School.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) is the only proprietary fund maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

### Net Position

The School's combined net position increased as follows:

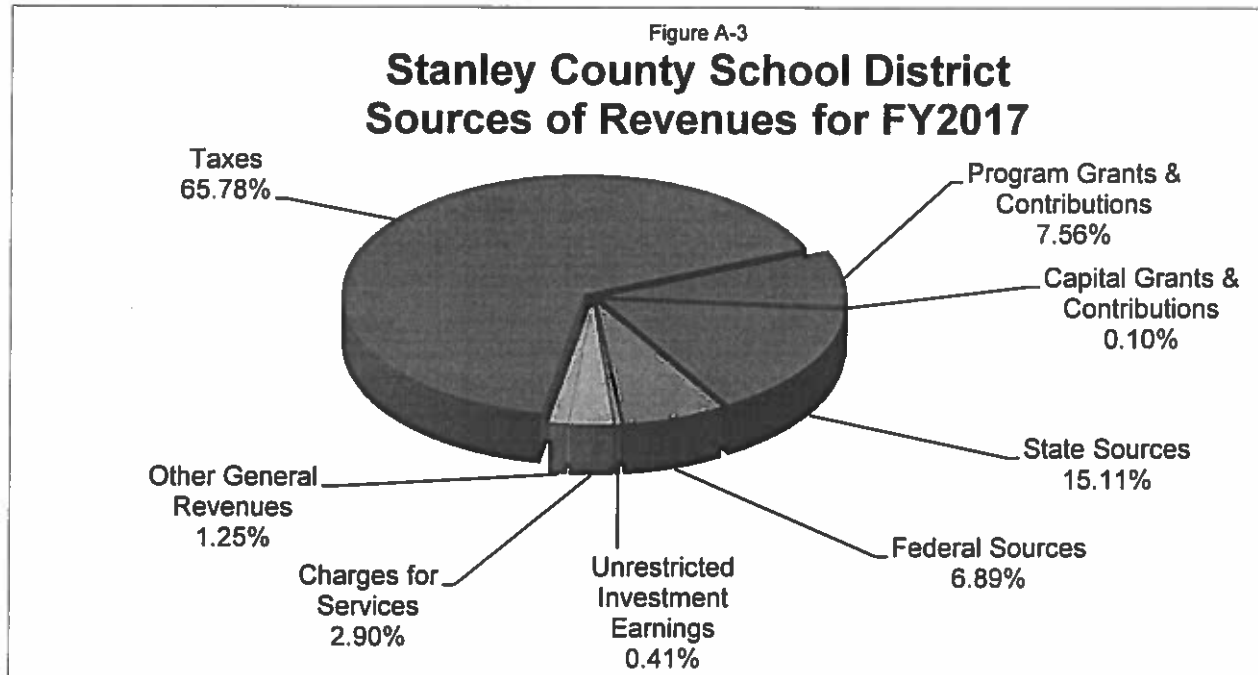
TABLE A-1  
STANLEY COUNTY SCHOOL DISTRICT 57-1  
STATEMENT OF NET POSITION

	Governmental Activities		Primary Government Business-Type Activities		Total	
	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>
Current and Other Assets	\$ 7,423,629.18	\$ 7,489,975.66	\$ 86,165.25	\$ 79,805.30	\$ 7,509,794.43	\$ 7,569,780.96
Capital Assets	<u>7,062,584.99</u>	<u>6,960,903.66</u>	<u>14,298.17</u>	<u>16,423.83</u>	<u>7,076,883.16</u>	<u>6,977,327.49</u>
Total Assets	<u>14,486,214.17</u>	<u>14,450,879.32</u>	<u>100,463.42</u>	<u>96,229.13</u>	<u>14,586,677.59</u>	<u>14,547,108.45</u>
Deferred Outflows of Resources	<u>1,123,400.89</u>	<u>1,126,533.23</u>			<u>1,123,400.89</u>	<u>1,126,533.23</u>
Total Deferred Outflows of Resources	<u>1,123,400.89</u>	<u>1,126,533.23</u>			<u>1,123,400.89</u>	<u>1,126,533.23</u>
Other Liabilities	379,347.69	464,071.27	30,159.76	35,859.92	409,507.45	499,931.19
Long-Term Debt Outstanding	<u>4,469,303.21</u>	<u>4,777,378.78</u>	<u>527.83</u>	<u>829.09</u>	<u>4,469,831.04</u>	<u>4,778,207.87</u>
Total Liabilities	<u>4,848,650.90</u>	<u>5,241,450.05</u>	<u>30,687.59</u>	<u>36,689.01</u>	<u>4,879,338.49</u>	<u>5,278,139.06</u>
Deferred Inflows of Resources	<u>2,840,691.19</u>	<u>1,860,672.35</u>			<u>2,840,691.19</u>	<u>1,860,672.35</u>
Total Deferred Inflows of Resources	<u>2,840,691.19</u>	<u>1,860,672.35</u>			<u>2,840,691.19</u>	<u>1,860,672.35</u>
Net Position:						
Net Investment in Capital Assets	2,622,907.49	2,758,385.16	14,298.17	16,423.83	2,637,205.66	2,675,343.99
Restricted	3,637,009.54	4,164,648.30			3,637,009.54	4,164,648.30
Unrestricted	<u>1,660,355.94</u>	<u>1,552,256.69</u>	<u>55,477.66</u>	<u>43,116.29</u>	<u>1,715,833.60</u>	<u>1,694,837.98</u>
Total Net Position	<u>7,920,272.97</u>	<u>8,475,290.15</u>	<u>69,775.83</u>	<u>59,540.12</u>	<u>7,990,048.80</u>	<u>8,534,830.27</u>
Increase (Decrease) in Net Position	\$ 840,356.45	\$ 555,017.18	\$ 5,973.17	\$ (10,235.71)	\$ 846,329.62	\$ 544,781.47
Beginning Net Position	<u>7,079,916.52</u>	<u>7,920,272.97</u>	<u>63,802.66</u>	<u>69,775.83</u>	<u>7,143,719.18</u>	<u>7,990,048.80</u>
Ending Net Position	<u>\$ 7,920,272.97</u>	<u>\$ 8,475,290.15</u>	<u>\$ 69,775.83</u>	<u>\$ 59,540.12</u>	<u>\$ 7,990,048.80</u>	<u>\$ 8,534,830.27</u>
Percentage of Increase (Decrease) in Net Position	11.87%	7.01%	9.36%	-14.67%	11.85%	6.82%

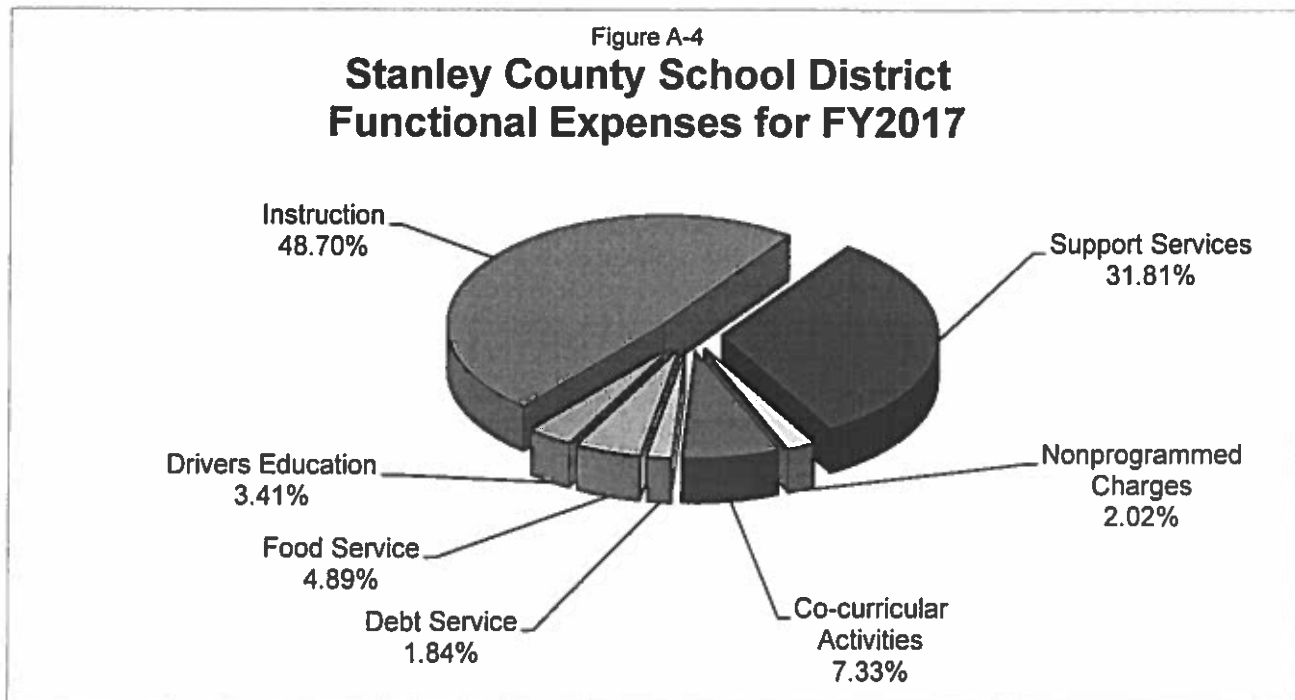
The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of capital financing leases, capital outlay certificates payable, compensated absences payable, SDRS pension liability and early retirement benefits payable have been reported in this manner on the Statement of Net Position. The difference between the school's assets and liabilities is its net position.

## Changes in Net Position

The School's total revenues (excluding special items) totaled \$6,249,990.36. (See Table A-2.) Approximately 65.78% of the School's revenue comes from property and other taxes, with approximately 15.11% coming from state aid. (See Figure A-3).



The Stanley County School's total expenses were \$5,705,208.89. The School's expenses cover a range of services, with instruction at 48.70%, support services at 31.81% and food services at 4.89%. Debt services, co-curricular activities, and non-programmed charges make up 14.60% of expenses. (See Figure A-4)



## GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the school.

**TABLE A-2**  
**STANLEY COUNTY SCHOOL DISTRICT 57-1**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>
<b><u>Revenues</u></b>						
<b>Program Revenues</b>						
Charges for Services	\$ 141,496.79	\$ 34,212.64	\$ 149,026.26	\$ 146,927.49	\$ 290,523.05	\$ 181,140.13
Operating Grants and Contributions	215,275.53	222,595.61	267,829.84	249,927.79	483,105.37	472,523.40
Capital Grants and Contributions	16,879.38	5,997.00			16,879.38	5,997.00
<b>General Revenues</b>						
Taxes	4,068,103.17	4,111,593.76			4,068,103.17	4,111,593.76
Revenue State Sources	589,413.58	944,523.57			589,413.58	944,523.57
Revenue Federal Sources	422,978.90	430,864.25			422,978.90	430,864.25
Other General Revenue	114,898.96	77,998.82			114,898.96	77,998.82
Unrestricted Investment Earnings	<u>19,194.66</u>	<u>25,020.97</u>	<u>395.42</u>	<u>328.46</u>	<u>19,590.08</u>	<u>25,349.43</u>
<b>Total Revenues</b>	<b>\$ 5,588,240.97</b>	<b>\$ 5,852,806.62</b>	<b>\$ 417,251.52</b>	<b>\$ 397,183.74</b>	<b>\$ 6,005,492.49</b>	<b>\$ 6,249,990.36</b>
<b><u>Expenses</u></b>						
Instruction	\$ 2,467,553.63	\$ 2,776,568.13			\$ 2,467,553.63	\$ 2,776,568.13
Support Services	1,842,020.97	1,815,121.46			1,842,020.97	1,815,121.46
Nonprogrammed Charges	47.00	115,528.59			47.00	115,528.59
Debt Services	106,217.63	105,469.63			106,217.63	105,469.63
Cocurricular Activities	288,353.29	418,433.63			288,353.29	418,433.63
Food Service			276,518.29	279,353.10	276,518.29	279,353.10
After School/Summer Program			<u>178,452.06</u>	<u>194,734.35</u>	<u>178,452.06</u>	<u>194,734.35</u>
<b>Total Expenses</b>	<b>\$ 4,704,192.52</b>	<b>\$ 5,231,121.44</b>	<b>\$ 454,970.35</b>	<b>\$ 474,087.45</b>	<b>\$ 5,159,162.87</b>	<b>\$ 5,705,208.89</b>
<b>Excess (Deficiency) Before</b>						
Transfers	\$ 884,048.45	\$ 621,685.18	\$ (37,718.83)	\$ (76,903.71)	\$ 846,329.62	\$ 544,781.47
Transfers In			43,692.00	66,668.00	43,692.00	66,668.00
Transfers Out	<u>(43,692.00)</u>	<u>(66,668.00)</u>			<u>(43,692.00)</u>	<u>(66,668.00)</u>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 840,356.45</b>	<b>\$ 555,017.18</b>	<b>\$ 5,973.17</b>	<b>\$ (10,235.71)</b>	<b>\$ 846,329.62</b>	<b>\$ 544,781.47</b>
<b>Beginning Net Position</b>	<b>\$ 7,079,916.52</b>	<b>\$ 7,920,272.97</b>	<b>\$ 63,802.66</b>	<b>\$ 69,775.83</b>	<b>\$ 7,143,719.18</b>	<b>\$ 7,990,048.80</b>
<b>NET POSITION - ENDING</b>	<b>\$ 7,920,272.97</b>	<b>\$ 8,475,290.15</b>	<b>\$ 69,775.83</b>	<b>\$ 59,540.12</b>	<b>\$ 7,990,048.80</b>	<b>\$ 8,534,830.27</b>

## GOVERNMENTAL ACTIVITIES

The governmental activities did show an increase in instructional due to certified staff salaries. There was an increase in non-programmed services due to early retirement payouts. The school district had two certified staff petition for early retirement in the 2016-17 school year. There was a slight decrease in debt services.

## BUSINESS-TYPE ACTIVITIES

The Stanley County School District had an increase in net position in its food service and after school programs during the current year. Factors contributing to these results included:

- The school district raised meal prices in food service as well as fees for the after school program.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund had a decrease in its fund balance and ended the fiscal year at \$1,647,103.07. The Capital Outlay Fund increased by \$562,984.75. The Special Education Fund increased by \$108,180.24. The levies for Capital Outlay and Special Education were raised for taxes 2016 payable in 2017.

## CAPITAL ASSET ADMINISTRATION

By the end of 2017, the School had invested \$10,798,797 in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.) This amount represents an increase of \$162,984 (including additions and deductions).

Table A-3  
STANLEY COUNTY SCHOOL DISTRICT 57-1 - Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017
Land	\$ 378,544	\$ 378,544			\$ 378,544	\$ 378,544
Buildings	7,921,113	7,921,113			7,921,113	7,921,113
Improvements other than Building	933,938	933,938			933,938	933,938
Machinery and Equipment	1,341,851	1,499,167	60,367	66,035	1,402,218	1,565,202
Total Capital Assets	\$ 10,575,446	\$ 10,732,762	\$ 60,367	\$ 66,035	\$ 10,635,813	\$ 10,798,797
Accumulated Depreciation	(3,512,861)	(3,771,858)	(46,069)	(52,945)	(3,558,930)	(3,824,803)
Ending Book Value	\$ 7,062,585	\$ 6,960,904	\$ 14,298	\$ 13,090	\$ 7,076,883	\$ 6,973,994

This year's capital asset projects consisted of upgrades to Cheyenne School, asbestos abatement, plumbing upgrades, concrete replacement, roof replacement, and security upgrades districtwide.

## LONG-TERM DEBT

The Stanley County School District has \$4,100,000 in Capital Outlay Certificates, \$149,424 in Capital Financing Leases, and \$496,222 in SDRS Pension and Early Retirement not reflected in prior audit reports. This is an increase of 6.89% as shown on Table A-4 below.

**Table A-4**  
**STANLEY COUNTY SCHOOL DISTRICT 57-1**  
**Outstanding Debt and Obligations**

	<u>Governmental Activities</u>		<u>Total</u>
	<u>FY2016</u>	<u>FY2017</u>	<u>% Change</u>
GO Certificates	\$ 4,335,000	\$ 4,100,000	-5.42%
Capital Financing Lease	104,678	149,424	42.75%
Early Retirement Payable		52,560	100.00%
SDRS Pension Liability		443,662	100.00%
Compensated Absences	29,626	31,733	7.11%
Total Long-Term Liabilities	<u>\$ 4,469,304</u>	<u>\$ 4,777,379</u>	
Net Increase (Decrease)			6.89%

The School is liable for the accrued sick leave payable to the certified and classified employees.

The School also maintains an early retirement plan, which allows those meeting certain qualifications to retire early and to receive a certain percent of their base salary.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Stanley County School District will base our next year's budgets on tax valuations and state aid calculated through the state aid formula and state aid fall enrollment.

#### **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Stanley County School Business Office, PO Box 370, Stanley County, SD 57532.

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 5,001,694.40	\$ 37,543.96	\$ 5,039,238.36
Taxes Receivable	1,921,130.77		1,921,130.77
Accounts Receivable	30.00	16,683.72	16,713.72
Due from Other Governments	169,020.63	22,011.34	191,031.97
Inventories		3,566.28	3,566.28
Investments-Certificates of Deposit	398,099.86		398,099.86
Capital Assets:			
Land	378,543.55		378,543.55
Other Capital Assets, Net of Depreciation	6,582,360.11	16,423.83	6,598,783.94
<b>TOTAL ASSETS</b>	<b>14,450,879.32</b>	<b>96,229.13</b>	<b>14,547,108.45</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	1,126,533.23		1,126,533.23
<b>LIABILITIES :</b>			
Accounts Payable	60,956.57		60,956.57
Accrued Wages & Benefits Payable	403,114.70	30,223.07	433,337.77
Deposits Payable		5,636.85	5,636.85
Noncurrent Liabilities:			
Due Within One Year	356,838.38	829.09	357,667.47
Due in More than One Year	4,420,540.40		4,420,540.40
<b>TOTAL LIABILITIES</b>	<b>5,241,450.05</b>	<b>36,689.01</b>	<b>5,278,139.06</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes Levied for Future Period	1,860,672.35		1,860,672.35
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,860,672.35</b>		<b>1,860,672.35</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,758,385.16	16,423.83	2,774,808.99
Restricted for:			
Capital Outlay	2,706,595.10		2,706,595.10
Special Education	400,447.56		400,447.56
Pension	374,734.81		374,734.81
SDRS Pension Purposes	682,870.83		682,870.83
Unrestricted	1,552,256.69	43,116.29	1,595,372.98
<b>TOTAL NET POSITION</b>	<b>\$ 8,475,290.15</b>	<b>\$ 59,540.12</b>	<b>\$ 8,534,830.27</b>

The notes to the financial statements are an integral part of this statement



**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDING JUNE 30, 2017**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
Instruction	\$ 2,776,568.13	\$ 8,928.12	\$ 221,139.00	\$ 5,997.00	\$ (2,555,429.13)	\$ (2,555,429.13)
Support Services	1,815,121.46		1,456.61		(1,798,739.73)	(1,798,739.73)
Nonprogrammable Charges	115,528.59				(115,528.59)	(115,528.59)
*Interest on Long-term Debt	105,469.63				(105,469.63)	(105,469.63)
Cocurricular Activities	418,433.63	25,284.52			(393,149.11)	(393,149.11)
Total Governmental Activities	5,231,121.44	34,212.64	222,595.61	5,997.00	(4,968,316.19)	(4,968,316.19)
Business-type Activities:						
Food Service	279,353.10	107,425.33	95,928.79		(75,998.98)	(75,998.98)
After School/Summer Program	194,734.35	39,502.16	153,999.00		(1,233.19)	(1,233.19)
Total Business-type Activities	474,087.45	146,927.49	249,927.79		(77,232.17)	(77,232.17)
Total Primary Government	5,705,208.89	181,140.13	472,523.40	5,997.00	(4,968,316.19)	(5,045,548.36)
General Revenues:						
Taxes:						
Property Taxes					4,065,758.38	4,065,758.38
Gross Receipt Taxes					45,835.38	45,835.38
Revenue from State Sources:						
State Aid					944,523.57	944,523.57
Revenue from Federal Sources:						
Grants and Contributions not Restricted to Specific Programs					430,864.25	430,864.25
Unrestricted Investment Earnings					25,020.97	25,349.43
Other General Revenues					77,998.82	77,998.82
Transfers					(66,668.00)	
Total General Revenues and Transfers					5,523,333.37	5,590,329.83
Change in Net Position					(10,235.71)	544,781.47
Net Position - Beginning					7,920,272.97	7,990,048.80
NET POSITION - ENDING					\$ 8,475,290.15	\$ 8,534,830.27

\*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement

STANLEY COUNTY SCHOOL DISTRICT NO. 57-1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$1,487,858.47	\$2,733,164.22	\$407,471.64	\$373,200.07	\$ 5,001,694.40
Accounts Receivable	30.00				30.00
Taxes Receivable--Current	780,746.54	710,299.44	369,626.37		1,860,672.35
Taxes Receivable--Delinquent	36,351.50	15,183.34	7,388.84	1,534.74	60,458.42
Due from Other Governments	108,324.63		60,696.00		169,020.63
Investments-Certificates of Deposit	398,099.86				398,099.86
<b>TOTAL ASSETS</b>	<b>\$2,811,411.00</b>	<b>\$3,458,647.00</b>	<b>\$845,182.85</b>	<b>\$374,734.81</b>	<b>\$ 7,489,975.66</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 8,266.25	\$ 41,752.46	\$ 10,937.86	\$	\$ 60,956.57
Contracts Payable	258,575.58		48,474.12		307,049.70
Payroll Deductions and Withholdings and Employer Matching Payable	80,368.06		15,696.94		96,065.00
<b>TOTAL LIABILITIES</b>	<b>347,209.89</b>	<b>41,752.46</b>	<b>75,108.92</b>		<b>464,071.27</b>
<b>Deferred Inflows of Resources:</b>					
Taxes Levied for a Future Period	780,746.54	710,299.44	369,626.37		1,860,672.35
Unavailable Revenue-Property Taxes	36,351.50	15,183.34	7,388.84	1,534.74	60,458.42
Total Deferred Inflows of Resources	817,098.04	725,482.78	377,015.21	1,534.74	1,921,130.77
<b>Fund Balances:</b>					
Restricted		2,691,411.76	393,058.72	373,200.07	3,457,670.55
Unassigned	1,647,103.07				1,647,103.07
<b>TOTAL FUND BALANCES</b>	<b>1,647,103.07</b>	<b>2,691,411.76</b>	<b>393,058.72</b>	<b>373,200.07</b>	<b>5,104,773.62</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$2,811,411.00</b>	<b>\$3,458,647.00</b>	<b>\$845,182.85</b>	<b>\$374,734.81</b>	<b>\$ 7,489,975.66</b>

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

Total Fund Balances - Governmental Funds	\$ 5,104,773.62
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of Assets	\$ 10,732,761.35	
Less: Accumulated Depreciation	<u>(3,771,857.69)</u>	6,960,903.66

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

Limited Tax General Obligation Certificates	(4,100,000.00)	
Capital (Bus) Lease	(57,375.00)	
Capital (Computer) Leases	(92,048.50)	
Compensated Absences	(31,732.88)	
Early Retirement	<u>(52,560.00)</u>	(4,333,716.38)

Net Pension Asset (Liability) reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	(443,662.40)
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Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.	1,126,533.23
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Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are shown as deferred inflows in the funds.	<u>60,458.42</u>
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Net Position - Governmental Funds	<u><u>\$ 8,475,290.15</u></u>
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The notes to the financial statements are an integral part of this statement

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDING JUNE 30, 2017**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>Revenues:</b>					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 1,673,531.34	\$ 1,481,999.52	\$ 737,714.45	\$ 67,878.70	\$ 3,961,124.01
Prior Years' Ad Valorem Taxes	36,160.15	21,734.24	10,423.89	2,195.68	70,513.96
Gross Receipts Taxes	45,835.38				45,835.38
Penalties and Interest on Taxes	7,179.07	4,554.08	2,237.02	428.78	14,398.95
Earnings on Investments and Deposits	11,956.81	10,426.01	1,146.01	1,492.14	25,020.97
Cocurricular Activities:					
Admissions	23,097.24				23,097.24
Other Pupil Activity Income	2,187.28				2,187.28
Other Revenue from Local Sources:					
Contributions and Donations	456.61	1,000.00			1,456.61
Refund of Prior Year Expenditures	15,122.27				15,122.27
Charges for Services	5,869.55		3,058.57		8,928.12
Other	4,747.06				4,747.06
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	52,145.13				52,145.13
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	944,523.57				944,523.57
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid Received					
Directly from Federal Government	402,621.00				402,621.00
Unrestricted Grants-in-Aid Received from Federal Government Through State	24,990.00				24,990.00
Unrestricted Grants-in-Aid Received from Federal Government Through Intermediate Source	3,253.25				3,253.25
Restricted Grants-in-Aid Received					
Directly from Federal Government	9,612.00				9,612.00
Restricted Grants-in-Aid Received from Federal Government Through State	104,871.00		106,656.00		211,527.00
<b>Total Revenue</b>	<b>3,368,158.71</b>	<b>1,519,713.85</b>	<b>861,235.94</b>	<b>71,995.30</b>	<b>5,821,103.80</b>

<b>Expenditures:</b>				
Instruction-Regular Programs:				
Elementary	900,801.96	28,620.06		929,422.02
Middle/Junior High	417,117.12	0.00		417,117.12
High School	621,691.37	14,045.24		635,736.61
Special Programs:				
Programs for Special Education			467,203.91	467,203.91
Educationally Deprived	44,881.28			44,881.28
Support Services-Pupils:				
Guidance	140,403.18			140,403.18
Health	1,347.50			44,946.35
Psychological			43,598.85	27,151.45
Speech Pathology			27,151.45	74,190.76
Student Therapy			74,190.76	6,701.46
Support Services - Instructional Staff:				
Improvement of Instruction	39,003.21		600.00	39,603.21
Educational Media	113,783.93	198.66		113,982.59
Support Services - General Administration:				
Board of Education	76,629.51			76,629.51
Executive Administration	140,125.99	200.00		140,325.99
Support Services - School Administration:				
Office of the Principal	241,121.33			241,121.33
Other	367.37			367.37
Support Services - Business:				
Fiscal Services	170,505.25	200.00		170,705.25
Operation and Maintenance of Plant	435,108.80	3,190.07		438,298.87
Pupil Transportation	49,219.15			49,219.15
Food Services		1,668.00		1,668.00
Support Services - Central:				
Planning	79.00			79.00
Support Services - Special Education:				
Administrative Costs			84,623.93	84,623.93
Other Special Education Costs			48,985.34	48,985.34
Community Services:				
Early Retirement Payments			62,968.59	62,968.59
Debt Services		426,395.83		426,395.83
Cocurricular Activities:				
Male Activities	60,947.15	4,470.00		65,417.15
Female Activities	30,736.99	5,262.05		35,999.04
Transportation	29,590.01	79,953.00		109,543.01
Combined Activities	95,340.30	3,950.85		99,291.15
Capital Outlay		237,810.54		237,810.54
<b>Total Expenditures</b>	<b>3,608,800.40</b>	<b>805,964.30</b>	<b>753,055.70</b>	<b>5,230,788.99</b>

STANLEY COUNTY SCHOOL DISTRICT NO. 57-1  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2017

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Excess of Revenue Over (Under) Expenditures	(240,641.69)	713,749.55	108,180.24	9,026.71	590,314.81
Other Financing Sources (Uses):					
Transfer In					
Transfer (Out)	281,437.00				281,437.00
Proceeds of Capital Lease	(65,000.00)	(281,437.00)			(346,437.00)
Sale of Surplus Property		130,672.20			130,672.20
Compensation for Loss of	763.99				763.99
General Capital Assets	5,220.37				5,220.37
Total Other Financing Sources (Uses):	222,421.36	(150,764.80)			71,656.56
Net Change in Fund Balances	(18,220.33)	562,984.75	108,180.24	9,026.71	661,971.37
Fund Balance - Beginning	1,665,323.40	2,128,427.01	284,878.48	364,173.36	4,442,802.25
FUND BALANCE - ENDING	\$ 1,647,103.07	\$ 2,691,411.76	\$ 393,058.72	\$ 373,200.07	\$ 5,104,773.62

The notes to the financial statements are an integral part of this statement

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING JUNE 30, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ 661,971.37

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays expense:

Capital Outlays	\$ 237,810.54	
Depreciation Expense	<u>(345,488.86)</u>	(107,678.32)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Limited Tax General Obligation Certificates	235,000.00	
Capital (Bus )Lease	19,125.00	
Capital (Computer) Leases	<u>66,801.20</u>	320,926.20

In the statement of activities, certain operating expenses (compensated absences and early retirement benefits) are measured by the amounts earned and paid during the year. In the governmental funds, however, expenditures for these items are different than the amount of financial resources used.

Change in Compensated Absences	(2,107.18)	
Early Retirement Benefits	<u>(52,560.00)</u>	(54,667.18)

Changes in pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. (160,581.15)

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.

Capital Lease		(130,672.20)
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The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government wide statements. 5,997.00

Governmental funds report property taxes as revenue using the current financial resources measurement focus, but the statement of activities includes the property taxes as revenue when earned. 19,721.46

Change in Net Position of Governmental Activities		<u>\$ 555,017.18</u>
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The notes to the financial statements are an integral part of this statement.

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>After School/ Summer Program Fund</b>	<b>Total</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 8,142.45	\$ 29,401.51	\$37,543.96
Accounts Receivable	16,408.72	275.00	16,683.72
Due from Other Governments	9,021.34	12,990.00	22,011.34
Inventory of Supplies	284.33		284.33
Inventory of Stores Purchased for Resale	844.40		844.40
Inventory of Donated Food	2,437.55		2,437.55
Total Current Assets	<u>37,138.79</u>	<u>42,666.51</u>	<u>79,805.30</u>
Capital Assets:			
Machinery and Equipment	62,034.87	4,000.00	66,034.87
Less: Accumulated Depreciation	<u>(49,277.71)</u>	<u>(333.33)</u>	<u>(49,611.04)</u>
Total Noncurrent Assets	<u>12,757.16</u>	<u>3,666.67</u>	<u>16,423.83</u>
<b>TOTAL ASSETS</b>	<u>49,895.95</u>	<u>46,333.18</u>	<u>96,229.13</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Contracts Payable	4,649.57	21,447.19	26,096.76
Payroll Deductions and Withholdings and Employer Matching Payable	2,252.63	1,873.68	4,126.31
Unearned Revenue	5,636.85		5,636.85
Total Current Liabilities	<u>12,539.05</u>	<u>23,320.87</u>	<u>35,859.92</u>
Noncurrent Liabilities:			
Accrued Leave Payable	829.09		829.09
Total Noncurrent Liabilities	<u>829.09</u>		<u>829.09</u>
<b>TOTAL LIABILITIES</b>	<u>13,368.14</u>	<u>23,320.87</u>	<u>36,689.01</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	12,757.16	3,666.67	16,423.83
Unrestricted Net Position	<u>23,770.65</u>	<u>19,345.64</u>	<u>43,116.29</u>
Total Net Position	<u>\$ 36,527.81</u>	<u>\$ 23,012.31</u>	<u>\$59,540.12</u>

The notes to the financial statements are an integral part of this statement.



**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDING JUNE 30, 2017**

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>After School/ Summer Program Fund</b>	<b>Total</b>
<b>Operating Revenue:</b>			
<b>Sales:</b>			
To Pupils	\$ 103,478.48	\$ 39,502.16	\$ 142,980.64
To Adults	3,946.85		3,946.85
<b>Total Operating Revenue</b>	<u>107,425.33</u>	<u>39,502.16</u>	<u>146,927.49</u>
<b>Operating Expenses:</b>			
Salaries	88,609.21	136,193.97	224,803.18
Employee Benefits	37,089.83	31,015.03	68,104.86
Purchased Services	2,656.20	5,652.99	8,309.19
Repairs and Maintenance Services	299.40		299.40
Supplies	4,593.71	21,539.03	26,132.74
Cost of Sales-Purchased Food	129,560.31		129,560.31
Cost of Sales-Donated Food	12,278.61		12,278.61
Other	1,056.82		1,056.82
Depreciation-Local Funds	3,209.01	333.33	3,542.34
<b>Total Operating Expenses</b>	<u>279,353.10</u>	<u>194,734.35</u>	<u>474,087.45</u>
<b>Operating Income (Loss)</b>	<u>(171,927.77)</u>	<u>(155,232.19)</u>	<u>(327,159.96)</u>
<b>Nonoperating Revenue (Expense):</b>			
<b>Local Sources:</b>			
Investment Earnings	328.46		328.46
<b>State Sources:</b>			
Cash Reimbursements	1,014.82		1,014.82
<b>Federal Sources:</b>			
Cash Reimbursements	87,728.73	149,999.00	237,727.73
Donated Food	7,185.24		7,185.24
<b>Total Nonoperating Revenue (Expense)</b>	<u>96,257.25</u>	<u>149,999.00</u>	<u>246,256.25</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>(75,670.52)</u>	<u>(5,233.19)</u>	<u>(80,903.71)</u>
<b>Capital Contributions</b>	1,668.00	4,000.00	5,668.00
<b>Transfers In</b>	<u>65,000.00</u>		<u>65,000.00</u>
<b>Change in Net Position</b>	<u>(9,002.52)</u>	<u>(1,233.19)</u>	<u>(10,235.71)</u>
<b>Net Position- Beginning</b>	<u>45,530.33</u>	<u>24,245.50</u>	<u>69,775.83</u>
<b>NET POSITION - ENDING</b>	<u>\$ 36,527.81</u>	<u>\$ 23,012.31</u>	<u>\$ 59,540.12</u>

The notes to the financial statements are an integral part of this statement.

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDING JUNE 30, 2017**

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>After School/ Summer Program Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 113,258.86	\$ 48,746.16	\$ 162,005.02
Payments to Suppliers	(137,129.71)	(27,192.02)	(164,321.73)
Payments to Employees	(126,069.38)	(165,477.10)	(291,546.48)
Net Cash Provided (Used) by Operating Activities	<u>(149,940.23)</u>	<u>(143,922.96)</u>	<u>(293,863.19)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from General Fund	65,000.00		65,000.00
Operating Subsidies	<u>88,743.55</u>	<u>149,999.00</u>	<u>238,742.55</u>
Net Cash Flows from Noncapital Financing Activities	<u>153,743.55</u>	<u>149,999.00</u>	<u>303,742.55</u>
<b>Cash Flows from Investing Activities:</b>			
Investment Earnings	<u>328.46</u>		<u>328.46</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 4,131.78</u>	<u>\$ 6,076.04</u>	<u>\$ 10,207.82</u>
Cash and Cash Equivalents at Beginning of Year	\$ 4,010.67	\$ 23,325.47	\$ 27,336.14
Cash and Cash Equivalents at End of Year	<u>8,142.45</u>	<u>29,401.51</u>	<u>37,543.96</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 4,131.78</u>	<u>\$ 6,076.04</u>	<u>\$ 10,207.82</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ (171,927.77)	\$ (155,232.19)	\$ (327,159.96)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	3,209.01	333.33	3,542.34
Value of Commodities Used	12,278.61		12,278.61
Change in Assets and Liabilities:			
Accounts and Other Receivables	1,193.67	9,244.00	10,437.67
Inventories	1,036.73		1,036.73
Wages and Deductions Payable	(671.60)	1,731.90	1,060.30
Accrued Leave Payable	301.26		301.26
Unearned Revenue	<u>4,639.86</u>		<u>4,639.86</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (149,940.23)</u>	<u>\$ (143,922.96)</u>	<u>\$ (293,863.19)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of Commodities Received	\$ 7,185.24		
Equipment Purchased by Capital Outlay Fund	1,668.00	4,000.00	

The notes to the financial statements are an integral part of this statement.

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2017**

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 1,952.81	\$ 106,900.54
Investments-Certificates of Deposit	249,316.40	
Accounts Receivable		<u>327.50</u>
<b>TOTAL ASSETS</b>	<u>251,269.21</u>	<u>107,228.04</u>
<b>LIABILITIES:</b>		
Amounts Held for Others		<u>107,228.04</u>
<b>Total Liabilities</b>		<u>\$ 107,228.04</u>
<b>NET POSITION</b>		
Held in Trust for Scholarships	<u>\$ 251,269.21</u>	

The notes to the financial statements are an integral part of this statement.

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDING JUNE 30, 2017**

	<u>Private-Purpose Trust Funds</u>
<b>ADDITIONS:</b>	
Contributions and Donations	\$ 2,000.00
Interest on Investments	<u>1,202.60</u>
Total Additions	<u>3,202.60</u>
<b>DEDUCTIONS:</b>	
Other Deductions	<u>7,433.61</u>
Total Deductions	<u>7,433.61</u>
Change in Net Position	(4,231.01)
Net Position - Beginning	<u>255,500.22</u>
NET POSITION - ENDING	<u><u>\$ 251,269.21</u></u>

The notes to the financial statements are an integral part of this statement.

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the School District conform to generally accepted accounting principles applicable to government entities in the United States of America.

**a. Financial Reporting Entity**

The reporting entity of Stanley County School District 57-1, consists of the primary government (which includes all of the funds organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

**b. Basis of Presentation**

*Government-wide financial Statements*

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the school district and for each function of the school district's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories, which are governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the school district or it meets the following criteria:

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Stanley County School District reporting entity are described below within their respective fund types:

#### **Governmental Funds:**

*General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.*

*Special Revenue Funds – Special Revenues Funds are used to account for the proceeds of specific revenues sources that are legally restricted to expenditures for specific purposes.*

*Capital Outlay Fund – A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed primarily by property taxes. This is a major fund.*

*Special Education Fund – A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the district. This fund is primarily financed by grants and property taxes. This is a major fund.*

*Pension Fund – A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districted, which have established such systems, paying the school district's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed primarily by property taxes. This is a major fund.*

#### **Proprietary Funds:**

*Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.*

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)*
- b. *Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. *The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

**Food Service Fund**-- A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

**After School/Summer Program Fund** – A fund used to record financial transactions related to the operation of an after-school program. This fund is primarily financed by user charges. This is a major fund.

### **Fiduciary Funds:**

Fiduciary funds are never considered to be major funds.

***Private Purpose Trust Funds** – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The school district maintains the following private-purpose trust funds used for the purposes indicated below:*

- **Ole Williamson Memorial Fund** – A fund from which investment income is used to provide dual credit reimbursements for students of the school district.
- **Julie Anderson Memorial Fund** – A fund used to provide a scholarship to a student of the school district.
- **True Smith Memorial Fund** – A fund for the purpose of providing athletic trophy cases for student achievements.
- **Coaches Scholarship Fund** – A fund to provide scholarships for student athletes of the school district.
- **Jennings Family Scholarship Fund** – A fund to provide a scholarship to a student of the school district.

***Agency Funds** – Agency funds are used to account for resources held by the school district in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The school district maintains agency funds primarily for the purposes of club and class related activities; and, for resources accumulated temporarily for distribution to other school systems or organizations.*

### **c. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

### **Measurement Focus:**

#### ***Government-wide Financial Statements:***

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

#### ***Fund Financial Statements:***

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

## **Basis of Accounting:**

### *Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

### *Fund Financial Statements*

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay liabilities of the current period. The accrual period does not exceed one bill-paying cycle, and for the Stanley County School District No. 57-1, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2017 are amounts due from other governments for grants and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary funds and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

#### **d. Interfund Eliminations and Reclassifications**

##### *Government-wide Financial Statement*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate

#### **e. Deposits and Investments:**



For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

#### f. Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The accounting treatment for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

##### *Government-wide Financial Statement*

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

The total June 30, 2017 balance of capital assets for government activities includes approximately 16% for which the costs were determined by estimates of the original costs. The total June 30, 2017 balance of capital assets for business-type activities are all valued at cost. Where estimated, the estimated original costs were established using deflated current replacement cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Threshold	Method	Life
Land	\$	NA	NA
Buildings	25,000.00	Straight Line	30-75 Years
Improvements other than Buildings	25,000.00	Straight Line	35 Years
Machinery and Equipment	3,000.00	Straight Line	5-30 Years
Food Service Machinery and Equipment	3,000.00	Straight Line	12 Years

Land is an inexhaustible capital asset and is not depreciated.

##### *Fund Financial Statements*

In the fund financial statements, capital assets used in government fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis of accounting and the economic resources measurement focus, the same as in the government-wide financial statements.

#### g. Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of general obligation bonds payable, general obligation certificates payment, financing (capital acquisition) leases, compensated absences, SDRS Pension liability, other postemployment benefits and early retirement payable.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

#### h. Program Revenues

In the government-wide Statement of Activities, reported program revenues are those derived directly from the program itself or from parties other than the school district's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – these arise from charges to service consumers or others who purchase, use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in the particular program.
3. Program-specific capital grants and contributions – these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

#### i. Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions from which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

#### j. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the school district considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

#### k. Equity Classifications

##### *Government-Wide Statements*

Equity is classified as position and is displayed in three components as follows:

1. Net Investment in Capital Assets – This classification consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – This classification consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – This classification consists of all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

### *Fund Financial Statements*

Governmental fund equity is classified as fund balance, and may distinguish between Nonexpendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

#### I. Application of Net Position

It is the school district’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

#### m. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

#### n. Fund Balance Classification Policies and Procedures

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the school district classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the school board.

- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The school district uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contract that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the school district would first use *committed*, then *assigned*, and lastly *unassigned* amounts of unrestricted fund balance when expenditures are made.

The school district does not have a formal minimum fund balance policy.

#### o. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

#### NOTE 2 – DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The school follows the practice of aggregating the cash assets of various funds in some instances to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**Deposits** – The school deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

**Investments** – In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 required investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

**Credit Risk** – State law limits eligible investments for school districts as discussed above. The school district has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk** – The school district places no limit on the amount that may be invested in any one issuer.

**Interest Rate Risk** – The school district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund except for the Capital Project Fund, and Private Purpose Trust Funds, which retain their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Investment income was not material to any of the funds for the current year.

#### NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in the accompanying financial statements. The school district anticipates all material receivables to be collected within one year. Appropriate allowances for estimated uncollectible are established when necessary.

#### NOTE 4 – INVENTORY

Inventory held for consumption is stated at cost. Inventory for resale is stated at the lower of cost or market. The cost valuation method is based on the first-in, first out cost flow assumption. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements and the enterprise fund type financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories in the General consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand as of June 30, 2017 in the governmental funds.

#### NOTE 5 – PROPERTY TAX

Property taxes are levied on or before October 1, attach as an enforceable lien on property, and become due and payable as the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the school district's property taxes and remits them to the school district.

School district property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenues related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period".

#### NOTE 6 – CHANGES IN CAPITAL ASSETS – PRIMARY GOVERNMENT

A summary of changes in capital assets for the year ended June 30, 2017 is as follows:

<i>Primary Government</i>	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2016
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 378,543.55	\$	\$	\$ 378,543.55
Total, not being depreciated	<u>378,543.55</u>			<u>378,543.55</u>
Capital Assets, being depreciated:				
Buildings	7,921,113.43	\$		7,921,113.43
Improvements Other than Buildings	933,938.48			933,938.48
Machinery and Equipment	<u>1,341,850.44</u>	<u>243,807.54</u>	<u>(86,492.09)</u>	<u>1,499,165.89</u>
Total, being depreciated	<u>10,196,902.35</u>	<u>243,807.54</u>	<u>(86,492.09)</u>	<u>10,354,217.80</u>
Less Accumulated Depreciation:				
Buildings	2,368,661.64	185,306.94		2,553,968.58
Improvements Other than Buildings	271,546.42	37,089.93		308,636.35
Machinery and Equipment	<u>872,652.85</u>	<u>123,092.00</u>	<u>(86,492.09)</u>	<u>909,252.76</u>
Total Accumulated Depreciation	<u>3,512,860.91</u>	<u>345,488.87</u>	<u>(86,492.09)</u>	<u>3,771,857.69</u>
Total Capital Assets, being depreciated, net	<u>6,684,041.44</u>	<u>(101,681.33)</u>		<u>6,582,360.11</u>
Total	<u>\$ 7,062,584.99</u>	<u>\$ (101,681.33)</u>	<u>\$</u>	<u>\$ 6,960,903.66</u>
Depreciation expense was charged to functions as follows:				
Governmental Activities:				
Instruction		\$ 119,518.87		
Support Services		117,786.72		
Cocurricular		<u>108,183.28</u>		
Total depreciation expense - governmental activities		<u>\$ 345,488.87</u>		
<b>Business-type activity: Food Service</b>				
Capital Assets, depreciated:				
Machinery and Equipment	\$ 60,366.87	\$ 1,668.00	\$	\$ 62,034.87
Less Accumulated Depreciation:				
Machinery and Equipment	<u>46,068.70</u>	<u>3,209.01</u>		<u>49,277.71</u>
Business-type activity capital assets, net	<u>\$ 14,298.17</u>	<u>\$ (1,541.01)</u>	<u>\$</u>	<u>\$ 12,757.16</u>
**Depreciation expense was charged to functions as follows:				
Food Service		<u>\$ 3,209.01</u>		
<b>Business-type Activities: After School Program</b>				
Capital Assets, depreciated:				
Machinery and Equipment	\$	\$ 4,000.00	\$	\$ 4,000.00
Less Accumulated Depreciation:				
Machinery and Equipment		<u>333.33</u>		<u>333.33</u>
Business-type activity capital assets, net		<u>\$ 3,666.67</u>	<u>\$</u>	<u>\$ 3,666.67</u>
**Depreciation expense was charged to functions as follows:				
Business-type Activities:				
Other Enterprise		<u>\$ 333.33</u>		

## NOTE 7 – LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Beginning Balance 07/01/2016	Additions	Deletions	Ending Balance 06/30/2017	Due Within One Year
<b>Primary Government:</b>					
Governmental Activities:					
Limited Tax General Obligation					
Certificates, Series 2012A	\$ 4,335,000.00	\$	\$ 235,000.00	\$ 4,100,000.00	\$ 235,000.00
Capital (Computer) Lease	70,357.50		23,452.50	46,905.00	23,452.50
Capital (Computer) Lease	34,320.00		34,320.00		
Capital (Computer) Lease		54,172.20	9,028.70	45,143.50	10,834.44
Capital (Bus) Lease		76,500.00	19,125.00	57,375.00	19,125.00
Early Retirement		52,560.00		52,560.00	52,560.00
SDRS Pension Liability		443,662.40		443,662.40	
Compensated Absences	29,625.71	21,745.84	19,638.67	31,732.88	15,866.44
Total Governmental Activities	\$ 4,469,303.21	\$ 648,640.44	\$ 340,564.87	\$ 4,777,378.78	\$ 356,838.38

Compensated absences for governmental activities and other postemployment benefits typically have been liquidated from the General and Special Education Funds.

Noncurrent liabilities payable at June 30, 2017 are comprised of the following:

### Limited Tax General Obligation Certificates, Series 2012A

Debt issued in July, 2012 at interest rates ranging from .45% to 3.5% with payments to be made from the Capital Outlay Fund. The final payment is scheduled to be made in December 2031.

\$ 4,100,000.00

### Financing (Capital Acquisition) Leases

Financing Lease with HP Financial Services for the purchase of computers, matures August 2016, with 2.85 % interest. Payments to be made from Capital Outlay Fund.

46,905.00

### Financing (Capital Acquisition) Leases

Financing Lease with Marco for the purchase of copiers, matures February 2022. Payments to be made from Capital Outlay Fund.

45,143.50

### Financing (Capital Acquisition) Leases

Financing Lease with Bell Bank for the purchase of 2017 Thomas 77 Passenger School Bus, matures October 2020. Payments to be made from Capital Outlay Fund.

57,375.00

### Early Retirement Benefits

Retirement benefits payable to participating employees

52,560.00

### Compensated Absences

Payments for accrued vacation and sick leave from the fund from which the employee is generally compensated.

31,732.88

### SDRS Pension Liability

Pension Liability (See Note 10)

443,662.40

The purchase price at the commencement of the financing (capital acquisition) leases was:

	<u>Laptops</u>	<u>Laptops</u>	<u>Copiers</u>	<u>Bus</u>
Principal	\$ 137,280.00	\$ 93,810.00	\$ 54,172.20	\$ 76,500.00
Interest	<u>5,216.64</u>	<u>2,758.88</u>		<u>3,428.00</u>
Total	<u>\$ 142,496.64</u>	<u>\$ 96,568.88</u>	<u>\$ 54,172.20</u>	<u>\$ 79,928.00</u>

The annual requirements to amortize all debt outstanding as of June 30, 2017, excluding compensated absences and SDRS Pension Liability, are as follows:

	<u>Limited Tax General Obligation Certificates</u>		<u>Capital (Financing) Leases</u>		<u>Early Retirement Benefits</u>	<u>Total</u>	
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 235,000.00	\$ 99,552.50	\$ 53,411.94	\$ 1,546.72	\$ 52,560.00	\$ 340,971.94	\$ 101,099.22
2019	240,000.00	96,640.00	53,411.94	1,546.72		293,411.94	98,186.72
2020	245,000.00	93,060.00	29,959.44	857.00		274,959.44	93,917.00
2021	245,000.00	88,833.75	10,834.44			255,834.44	88,833.75
2022	250,000.00	84,067.50	1,805.74			251,805.74	84,067.50
2023-2027	1,345,000.00	328,896.25				1,345,000.00	328,896.25
2028-2032	<u>1,540,000.00</u>	<u>125,992.50</u>				<u>1,540,000.00</u>	<u>125,992.50</u>
Totals	<u>\$ 4,100,000.00</u>	<u>\$ 917,042.50</u>	<u>\$ 149,423.50</u>	<u>\$ 3,950.44</u>	<u>\$ 52,560.00</u>	<u>\$ 4,301,983.50</u>	<u>\$ 920,992.94</u>

#### NOTE 8 – RESTRICTED NET POSITION

The following reflects the net position restricted for other purposes as shown on the Statement of Net Position:

<u>Major Purposes</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 2,706,595.10
Special Education Purposes	Law	400,447.56
Pension Purposes	Law	374,734.81
SDRS Pension Purposes	Law	<u>682,870.83</u>
Total Restricted Net Position		<u>\$ 4,164,648.30</u>

#### NOTE 9 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017 were as follows:

	<u>Transfers To</u>		
<u>Transfers From</u>	<u>Food Service Fund</u>	<u>General Fund</u>	<u>Total</u>
General Fund	\$ 65,000.00	\$	\$ 65,000.00
Capital Outlay		<u>281,437.00</u>	<u>281,437.00</u>
Total	<u>\$ 65,000.00</u>	<u>\$ 281,437.00</u>	<u>\$ 346,437.00</u>

The noted transfers from the General Fund to the Food Service Fund was for the purpose of meeting current operating needs. The transfer from the Capital Outlay Fund to the General Fund was for utilities, etc. as allowed.



## **NOTE 10 – PENSION PLAN**

### **Plan Information:**

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

### **Benefits Provided:**

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable one each July 1 is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
  - 90.0% to 99.9% funded – 2.1% minimum and 2.8% maximum COLA
  - 80.0% to 90.0% funded – 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% - 2.1% COLA

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

### **Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2017, 2016, and 2015 were \$166,335, \$149,849, and \$152,054, respectively, equal to the required contributions each year.

### **Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:**

At June 30, 2016, SDRS is 96.89% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2017 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 14,252,316.91
Less proportionate share of total pension assets	<u>13,808,654.51</u>
Proportionate share of net pension asset	<u>\$ 443,662.40</u>

At June 30, 2016, the School District reported a liability of \$443,662.40 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2016, the School District's proportion was 0.13134260%, which is a decrease of 0.0074650% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$160,581.15. At June 30, 2017 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 154,448.72	\$
Changes in assumption	265,732.75	
Net difference between projected and actual earnings on pension plan investments	493,502.53	
Changes in proportion and difference between School District contributions and proportionate share of contributions	46,513.82	
District contributions subsequent to the measurement date	<u>166,335.41</u>	<u></u>
TOTAL	<u>\$ 1,126,533.23</u>	<u>\$</u>

\$166,335.41 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2018	\$ 246,541.47
2019	149,132.84
2020	312,486.01
2021	<u>205,523.68</u>
TOTAL	<u>\$ 913,684.00</u>

**Actuarial Assumptions:**

The total pension liability (asset) in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service

Investment Rate of Return 7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.5%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	<u>2.0%</u>	0.7%
Total	<u>100.0%</u>	

**Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

**Sensitivity of liability (asset) to changes in the discount rate:**

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2017 and 7.50 percent thereafter, as well as what the School's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 2,482,728.88	\$ 443,662.40	\$ (1,219,415.30)

**Pension Plan Fiduciary Net Position:**

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

**NOTE 11 – RISK MANAGEMENT**

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2017, the school district managed its risks as follows:

**Employee Health Insurance**

The school district purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**Liability Insurance**

The school district joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The school district pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The school district pays an annual premium to provide liability coverage for property loss, automobile and school bus coverage, bodily injury, property damage, surety bond, crime loss, errors and omissions, and umbrella coverage.

The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that the above coverage's will be provided to a \$2,000,000 limit. Member premiums are used by the pool for payment of claims and to pay reinsurance for claims in excess of \$100,000 to the upper limit. The school district carries a \$500 deductible for the property coverage and \$500 for automobile coverage. The school district does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**Worker's Compensation**

The school district participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Worker's Compensation Fund Pool, which provides workers' compensation insurance coverage for participating members of the pool. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage to obtain lower costs for the coverage, and to develop a comprehensive loss control program. The school district's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the fund to resolve any worker's compensation claims. The school district pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated

policy and the premiums are accrued based on the ultimate cost of the experience to date of the fund members. The school district may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to \$1,000,000 per individual per incident. The school district does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

#### Unemployment Benefits

The school district has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2017, no claims for unemployment benefits were paid. At June 30, 2017, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

#### NOTE 12 – SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2017, the School District was not involved in any litigation.

**REQUIRED SUPPLEMENTARY INFORMATION  
STANLEY COUNTY SCHOOL DISTRICT NO. 57-1  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDING JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,699,345.00	\$ 1,699,345.00	\$ 1,673,531.34	\$ (25,813.66)
Prior Years' Ad Valorem Taxes	15,000.00	15,000.00	36,160.15	21,160.15
Utility Taxes	49,613.00	49,613.00	45,835.38	(3,777.62)
Penalties and Interest on Taxes	6,500.00	6,500.00	7,179.07	679.07
Earnings on Investments and Deposits	2,500.00	2,500.00	5,476.90	2,976.90
Cocurricular Activities:				
Admissions	25,000.00	25,000.00	23,097.24	(1,902.76)
Other Pupil Activity Income	1,500.00	1,500.00	2,187.28	687.28
Other Revenue from Local Sources:				
Contributions and Donations	1,000.00	1,000.00	456.61	(543.39)
Refund of Prior Year Expenditures			15,122.27	15,122.27
Charges for Services	5,000.00	5,000.00	5,869.55	869.55
Other	2,500.00	2,500.00	4,747.06	2,247.06
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	80,000.00	80,000.00	52,145.13	(27,854.87)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	895,898.00	895,898.00	944,523.57	48,625.57
Other State Revenue	1,000.00	1,000.00		(1,000.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received				
from Federal Government Through State	56,000.00	56,000.00	24,990.00	(31,010.00)
Unrestricted Grants-in-Aid Received from Federal				
Government through Intermediate Sourc	1,000.00	1,000.00	3,253.25	2,253.25
Restricted Grants-in-Aid Received from Federal				
Government through Intermediate Sourc	9,580.00	9,580.00	9,612.00	32.00
Restricted Grants-in-Aid Received from				
Federal Government through the State	107,215.00	107,215.00	104,871.00	(2,344.00)
Revenue in Lieu of Taxes (PILT)	112,000.00	112,000.00		(112,000.00)
Other Federal Revenue	6,879.00	6,879.00		(6,879.00)
<b>Total Revenues</b>	<u>3,077,530.00</u>	<u>3,077,530.00</u>	<u>2,959,057.80</u>	<u>(118,472.20)</u>
<b>Expenditures:</b>				
Instruction-Regular Programs:				
Elementary School	900,155.00	900,155.00	900,801.96	(646.96)
Middle/Junior High	544,085.00	544,085.00	417,117.12	126,967.88
High School	590,684.00	590,684.00	621,691.37	(31,007.37)
Special Programs:				
Educationally Deprived	42,615.00	42,615.00	44,881.28	(2,266.28)

**REQUIRED SUPPLEMENTARY INFORMATION  
STANLEY COUNTY SCHOOL DISTRICT NO. 57-1  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDING JUNE 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Support Services - Pupils:				
Guidance	134,340.00	134,340.00	140,403.18	(6,063.18)
Health	4,000.00	4,000.00	1,347.50	2,652.50
Support Services - Instructional Staff:				
Improvement of Instruction	46,363.00	46,363.00	39,003.21	7,359.79
Educational Media	127,940.00	127,940.00	113,783.93	14,156.07
Support Services - General Administration:				
Board of Education	95,015.00	95,015.00	76,629.51	18,385.49
Executive Administration	152,478.00	152,478.00	140,125.99	12,352.01
Support Services - School Administration:				
Office of the Principal	254,156.00	254,156.00	241,121.33	13,034.67
Other			367.37	(367.37)
Support Services - Business:				
Fiscal Services	168,045.00	168,045.00	170,505.25	(2,460.25)
Operation and Maintenance of Plant	447,999.00	447,999.00	435,108.80	12,890.20
Pupil Transportation	57,585.00	57,585.00	49,219.15	8,365.85
Support Services - Central:				
Planning	2,471.00	2,471.00	79.00	2,392.00
Non-programmed Charges:				
Insurance Costs	10,000.00	10,000.00		10,000.00
Cocurricular Activities:				
Male Activities	65,946.00	65,946.00	60,947.15	4,998.85
Female Activities	31,667.00	31,667.00	30,736.99	930.01
Transportation	22,119.00	22,119.00	29,590.01	(7,471.01)
Combined Activities	107,482.00	107,482.00	95,340.30	12,141.70
<b>Total Expenditures</b>	<u>3,805,145.00</u>	<u>3,805,145.00</u>	<u>3,608,800.40</u>	<u>196,344.60</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(727,615.00)</u>	<u>(727,615.00)</u>	<u>(649,742.60)</u>	<u>77,872.40</u>
Other Financing Sources (Uses)				
Transfer In	727,615.00	727,615.00	681,437.00	(46,178.00)
Sale of Surplus Property			763.99	763.99
Compensation for Loss of				
General Capital Assets			5,220.37	5,220.37
<b>Total Other Financing Sources (Uses)</b>	<u>727,615.00</u>	<u>727,615.00</u>	<u>687,421.36</u>	<u>(40,193.64)</u>
<b>Net Change in Fund Balances</b>			<b>37,678.76</b>	<b>37,678.76</b>
<b>Fund Balance - Beginning</b>	<u>596,865.95</u>	<u>596,865.95</u>	<u>596,865.95</u>	
<b>FUND BALANCE - JUNE 30, 2017</b>	<u>\$ 596,865.95</u>	<u>\$ 596,865.95</u>	<u>\$ 634,544.71</u>	<u>\$ 37,678.76</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**CAPITAL OUTLAY FUND**  
**FOR THE YEAR ENDING JUNE 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,491,611.00	\$ 1,491,611.00	\$ 1,481,999.52	\$ (9,611.48)
Prior Years' Ad Valorem Taxes	6,000.00	6,000.00	21,734.24	15,734.24
Penalties and Interest on Taxes	4,000.00	4,000.00	4,554.08	554.08
Earnings on Investments and Deposits	5,300.00	5,300.00	10,426.01	5,126.01
Other Revenue from Local Sources:				
Contributions and Donations			1,000.00	1,000.00
<b>Total Revenue</b>	<u>1,506,911.00</u>	<u>1,506,911.00</u>	<u>1,519,713.85</u>	<u>12,802.85</u>
<b>Expenditures:</b>				
Instruction-Regular Programs:				
Elementary	32,048.00	32,048.00	47,580.33	(15,532.33)
Middle/Junior High	5,000.00	5,000.00	3,792.05	1,207.95
High School	23,750.00	23,750.00	29,755.18	(6,005.18)
Support Services - Instructional Staff:				
Educational Media	22,000.00	22,000.00	32,376.54	(10,376.54)
Support Services - General Administration:				
Executive Administration			200.00	(200.00)
Support Services - Business:				
Fiscal Services	5,000.00	5,000.00	15,909.94	(10,909.94)
Support Services - Business:				
Operation and Maintenance of Plant	572,405.00	572,405.00	154,650.53	417,754.47
Food Services	5,000.00	5,000.00	1,668.00	3,332.00
Debt Services	447,771.00	447,771.00	426,395.83	21,375.17
Cocurricular Activities:				
Male Activities	7,500.00	7,500.00	4,470.00	3,030.00
Female Activities	7,500.00	7,500.00	5,262.05	2,237.95
Transportation	87,500.00	87,500.00	79,953.00	7,547.00
Combined Activities	10,000.00	10,000.00	3,950.85	6,049.15
<b>Total Expenditures</b>	<u>1,225,474.00</u>	<u>1,225,474.00</u>	<u>805,964.30</u>	<u>419,509.70</u>
Excess of Revenue Over (Under)				
Expenditures	<u>281,437.00</u>	<u>281,437.00</u>	<u>713,749.55</u>	<u>432,312.55</u>
Other Financing Sources (Uses)				
Transfer (out)	(281,437.00)	(281,437.00)	(281,437.00)	
Proceeds of Capital Lease			130,672.20	130,672.20
<b>Total Other Financing Sources (Uses)</b>	<u>(281,437.00)</u>	<u>(281,437.00)</u>	<u>(150,764.80)</u>	<u>130,672.20</u>
<b>Net Change in Fund Balances</b>			562,984.75	562,984.75
Fund Balance - Beginning	<u>2,128,427.01</u>	<u>2,128,427.01</u>	<u>2,128,427.01</u>	
<b>FUND BALANCE - JUNE 30, 2017</b>	<u>\$ 2,128,427.01</u>	<u>\$ 2,128,427.01</u>	<u>\$ 2,691,411.76</u>	<u>\$ 562,984.75</u>



**REQUIRED SUPPLEMENTARY INFORMATION  
STANLEY COUNTY SCHOOL DISTRICT NO. 57-1  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDING JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 740,189.00	\$ 740,189.00	\$ 737,714.45	\$ (2,474.55)
Prior Years' Ad Valorem Taxes	3,000.00	3,000.00	10,423.89	7,423.89
Penalties and Interest on Taxes	1,500.00	1,500.00	2,237.02	737.02
Earnings on Investments and Deposits	500.00	500.00	1,146.01	646.01
Other Revenue from Local Sources:				
Charges for Services	15,650.00	15,650.00	3,058.57	(12,591.43)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government through the State	105,361.00	105,361.00	106,656.00	1,295.00
<b>Total Revenue</b>	<u>866,200.00</u>	<u>866,200.00</u>	<u>861,235.94</u>	<u>(4,964.06)</u>
<b>Expenditures:</b>				
Special Programs:				
Programs for Special Education	506,179.00	506,179.00	467,203.91	38,975.09
Support Services - Pupils:				
Health	44,600.00	44,600.00	43,598.85	1,001.15
Psychological	30,000.00	30,000.00	27,151.45	2,848.55
Speech Pathology	87,570.00	87,570.00	74,190.76	13,379.24
Student Therapy	49,200.00	49,200.00	6,701.46	42,498.54
Support Services-Instructional Staff:				
Improvement of Instructional Staff			600.00	(600.00)
Support Services - Special Education:				
Administrative Costs	88,141.00	88,141.00	84,623.93	3,517.07
Transportation Costs	5,000.00	5,000.00		5,000.00
Other Special Education Costs	55,510.00	55,510.00	48,985.34	6,524.66
<b>Total Expenditures</b>	<u>866,200.00</u>	<u>866,200.00</u>	<u>753,055.70</u>	<u>113,144.30</u>
Net Change in Fund Balances			108,180.24	108,180.24
Fund Balance - Beginning	<u>284,878.48</u>	<u>284,878.48</u>	<u>284,878.48</u>	
<b>FUND BALANCE - JUNE 30, 2017</b>	<u>\$ 284,878.48</u>	<u>\$ 284,878.48</u>	<u>\$ 393,058.72</u>	<u>\$ 108,180.24</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**PENSION FUND**  
**FOR THE YEAR ENDING JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 73,864.00	\$ 73,864.00	\$ 67,878.70	\$ (5,985.30)
Prior Years' Ad Valorem Taxes	300.00	300.00	2,195.68	1,895.68
Penalties and Interest on Taxes	200.00	200.00	428.78	228.78
Earnings on Investments and Deposits	200.00	200.00	1,492.14	1,292.14
<b>Total Revenue</b>	<u>74,564.00</u>	<u>74,564.00</u>	<u>71,995.30</u>	<u>(2,568.70)</u>
<b>Expenditures</b>				
Nonprogrammed Charges:				
Early Retirement Payments	<u>240,000.00</u>	<u>240,000.00</u>	<u>62,968.59</u>	<u>177,031.41</u>
Net Change in Fund Balances	(165,436.00)	(165,436.00)	9,026.71	174,462.71
Fund Balance - Beginning	<u>364,173.36</u>	<u>364,173.36</u>	<u>364,173.36</u>	
<b>FUND BALANCE - JUNE 30, 2017</b>	<u>\$ 198,737.36</u>	<u>\$ 198,737.36</u>	<u>\$ 373,200.07</u>	<u>\$ 174,462.71</u>

**Schedule of Required Supplementary Information  
STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**

**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

**South Dakota Retirement System**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability (asset)	0.1470187%	0.1388076%	0.1313426%
District's proportionate share of net pension liability (asset)	\$ (1,059,209.61)	\$ (588,723)	\$ 443,662
District's covered-employee payroll	\$ 2,570,951	\$ 2,570,951	\$ 2,497,477
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%	-22.90%	17.76%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.89%

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year

**Schedule of Required Supplementary Information**  
**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS**  
**South Dakota Retirement System**

	2014	2015	2016	2017
Contractually required contribution	\$ <u>154,257</u>	\$ <u>152,054</u>	\$ <u>149,849</u>	\$ <u>166,335</u>
Contributions in relation to the contractually required contribution	\$ <u>154,257</u>	\$ <u>152,054</u>	\$ <u>149,849</u>	\$ <u>166,335</u>
Contribution deficiency (excess)	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>
District's covered-employee payroll	\$ 2,570,951	\$ 2,534,232	\$ 2,497,477	\$ 2,772,251
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedules of Budgetary Comparisons for the General Fund**  
**and for each major Special Revenue Fund with a legally required budget**

**NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING**

The School District followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular board meeting in May of each year the board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
12. The following reconciles the USGAAP Basis fund balance to the Budgetary Basis fund balance:

	Year Ended <u>6/30/2017</u>
<u>General Fund:</u>	
<b>USGAAP Basis Fund Balance</b>	\$ 1,647,103.07
Reconciling Items:	
Impact Aid Fund Balance	\$ 1,012,558.36
<b>Net Adjustment to GAAP Basis Fund Balance</b>	<u>1,012,558.36</u>
<b>Budgetary Basis Fund Balance</b>	<u>\$ 634,544.71</u>

**NOTE 2 - GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES**

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2017**

	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditure Amount 2017</u>
U.S. Department of Agriculture:			
Pass-Through the SD Department of Education			
Child Nutrition Cluster:			
Non-cash Assistance: (Commodities)			
National School Lunch Program	10.555	N/A	\$ 12,278.61
Cash Assistance : (Note 3)			
School Breakfast Program	10.553	N/A	6,052.05
National School Lunch Program	10.555	N/A	64,531.50
Summer Food Service Program for Children	10.559	N/A	17,144.82
			<u>100,006.98</u>
Schools and Roads-Grants to Counties	10.666	N/A	3,253.25
<b>Total U.S. Department of Agriculture</b>			<u><b>103,260.23</b></u>
US Department of the Interior:			
Pass-Through the SD Department of Education:			
Distribution of Receipts to State and			
Local Governments	15.227	N/A	24,990.00
<b>Total US Department of the Interior</b>			<u><b>24,990.00</b></u>
U.S. Department of Education:			
Direct Federal Funding:			
Impact Aid (Note 4)	84.041	N/A	465,000.00
Indian Education - Grants to Local Educational Agencies	84.060	N/A	9,612.00
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	T1ba-17-125	57,382.00
Special Education Cluster:			
Special Education - Grants to States	84.027	17-611-083	103,737.00
Special Education - Preschool Grants	84.173	17-619-077	2,919.00
Total Special Education Cluster:			<u>106,656.00</u>
Career and Technical Education - Basic Grants to States	84.048	PRPI-17-026	612.00
Twenty-First Century Community Learning Centers	84.287	17-21-120	149,999.00
Improving Teacher Quality Grants	84.367	17-T2A-125	46,877.00
<b>Total U.S. Department of Education</b>			<u><b>836,138.00</b></u>
<b>GRAND TOTAL</b>			<u><b>\$ 964,388.23</b></u>

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDING JUNE 30, 2017**  
**(continued)**

**Note 1: *Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**Note 2: *Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: *Federal Reimbursement***

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

**Note 4: *Major Federal Financial Assistance Program***

This represents a Major Federal Financial Assistance Program.



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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

School Board  
Stanley County School District No. 57-1  
Stanley County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Stanley County School District No. 57-1, Stanley County, South Dakota (School District), as of June 30, 2017 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 14, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs that we consider to be a significant deficiency. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item number 2017-001 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **School District's Response to Findings**

The School District's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School district's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam, Berglin & Post, P.C.  
Certified Public Accountants

March 14, 2018

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

School Board  
Stanley County School District No. 57-1  
Stanley County, South Dakota

### Report on Compliance for Each Major Federal Program

We have audited the Stanley County School District No. 57-1, Stanley County, South Dakota compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2017. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the School District's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, Stanley County School District No. 57-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## **Report on Internal Control Over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Stanley County School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Quam, Berglin & Post, P.C.  
Certified Public Accountants

March 14, 2018

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**PRIOR AUDIT FINDING:**

**Prior Other Audit Findings:**

**Prior Finding Number 2016-001:**

A significant deficiency in internal controls was reported for a lack of segregation of duties for revenues. This comment, first noted in fiscal year 2013, results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected but has been restated under current audit finding number 2017-001.

**Corrective Action Plan:**

This prior audit comment has not been corrected and is restated under the current audit findings as finding number 2017-001.

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:**

***Financial Statements***

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. A significant deficiency was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2017-001.
- c. Our audit did not disclose any noncompliance that was material to the financial statements.

***Federal Awards***

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Uniform Guidance.
- f. The federal awards tested as major programs were:

Impact Aid Cluster:  
Impact Aid

CFDA #  
84.041

- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.00.
- h. Stanley County School District did not qualify as a low-risk auditee.

**STANLEY COUNTY SCHOOL DISTRICT NO. 57-1  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**CURRENT FEDERAL AUDIT FINDINGS:**

There are no current federal compliance audit findings to report.

**CURRENT OTHER AUDIT FINDINGS:**

***Internal Control-Related Findings – Significant Deficiency:***

**Finding Number 2017-001:** A significant deficiency was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues.

***Criteria:***

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to revenue. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

***Condition Found:***

A significant deficiency in internal control was reported due to lack of proper segregation of duties for revenues, resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

***Recommendations:***

We recommend that the Board of Directors be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating controls, whenever and wherever possible and practical.

***Response:***

The Board of Directors is aware of this problem, which is a result of the size of the entity and precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Board of Directors has prepared a response to this finding, shown in the Corrective Action Plan found in the Table of Contents.

Superintendent.....223-7741  
Business Manager.....223-7741  
Administrative Fax.....223-7750

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**STANLEY COUNTY SCHOOL DIST. #57-1**  
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FORT PIERRE, SOUTH DAKOTA 57532

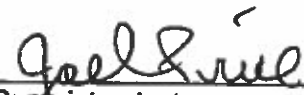
Secondary Principal.....223-7741  
Elementary Principal.....223-7741  
High School Fax.....223-7751  
Elementary School Fax.....223-7760  
Special Education Fax.....223-7760

### CORRECTIVE PLAN OF ACTION June 30, 2017

Stanley County School District No. 57-1 has considered the lack of segregation of duties for revenues. At this time, it is not cost effective for Stanley County School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Stanley County School District to decrease the likelihood that financial data is adversely affected.

The Stanley County School District's Board will continue to monitor the necessity to have segregation of duties for revenues and implement such segregation as budget dollars and board authority allow.

  
\_\_\_\_\_  
Business Manager

  
\_\_\_\_\_  
Superintendent